

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

\_\_\_\_\_  
Southern Union Company  
\_\_\_\_\_

)  
)  
)  
D.T.E. 04-\_\_\_\_

**PETITION FOR AUTHORIZATION PURSUANT TO G.L. c. 164, § 17A TO  
INVEST FUNDS**

Southern Union Company ("Southern Union" or the "Company") hereby petitions the Department of Telecommunications and Energy (the "Department") for approval and authorization pursuant to G.L. c. 164, § 17A to invest up to \$700 million in CCE Holdings, LLC, a joint venture between Southern Union and an equity partner, GE Commercial Finance Energy Financial Services.

In support of its request, Southern Union states as follows:

1. Southern Union is a Delaware corporation that is primarily involved in the distribution, transportation and storage of natural gas throughout the United States. As a natural gas local distribution company, Southern Union serves approximately 1 million customers through its operating divisions in Missouri, Pennsylvania, Rhode Island and Massachusetts. In Massachusetts, Southern Union serves approximately 50,000 customers through the New England Gas Company, which operates as a division of Southern Union pursuant to G. L. c. 164, § 1. As such, Southern Union is subject to the Department's jurisdiction and the provisions of G. L. c. 164, as amended.

2. The Company is seeking approval and authorization pursuant to G.L. c. 164, § 17A to invest up to \$700 million in CCE Holdings, LLC ("CCE"), a joint venture between Southern Union and an equity partner, GE Commercial Finance Energy Financial Services ("GE Energy Finance").
3. On June 24, 2004, CCE entered into a Stock Purchase Agreement ("Agreement") with Enron Corp. and its affiliates (collectively, "Enron") to acquire 100 percent of the equity interests of CrossCountry Energy LLC ("CrossCountry"). On June 24, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Court") issued an order (the "Order") granting "Stalking Horse" status to the Agreement and setting forth certain bid procedures for a Court-mandated auction scheduled for 9:00 a.m. on September 1, 2004.
4. CrossCountry is a holding company headquartered in Houston Texas, which employees 1,100 people and owns interests in and operates Transwestern Pipeline Company, Citrus Corp. and Northern Plains Natural Gas Company. In total, the interstate distribution system that is owned and operated by CrossCountry is comprised of approximately 9,700 miles of pipeline and approximately 8.5 Bcf/day of natural gas capacity and serving customers in four major geographical regions in 18 states.
5. As discussed in the testimony of David J. Kvapil, Vice President and Chief Financial Officer of Southern Union, which is filed herewith, the approval to invest funds in CCE is necessary to become the winning bidder in the Court-mandated auction process.

6. When the Court granted "Stalking Horse" status to CCE on June 24, 2004, all of the details of CCE's offer to purchase the CrossCountry equity interests were made known to other prospective bidders. As a regulated public utility, Southern Union will require various regulatory approvals in order to move forward with the transaction. Thus, to compete on a level playing field with other bidders participating in the process, Southern Union is seeking to obtain these approvals (to the extent possible) prior to August 23, 2004, or at least no later than the close of the bidding process on August 31, 2004.
7. As discussed in Mr. Kvapil's testimony, the acquisition of the CrossCountry interstate pipeline assets will further the Company's long-term strategic plan to own regulated natural gas assets that will provide stable and predictable cash flows and provide the opportunity to achieve operating synergies that will benefit other divisions of the Company. Therefore, the proposed investment satisfies the Department's public interest standard under G.L. c. 164, § 17A.
8. The actual details of the transaction and the ultimate investment arrangement between Southern Union and GE Energy Finance will not be known until CCE is designated as the successful bidder by entry of an Approval Order by the Court. However, the total investment to be made by Southern Union to accomplish the purchase of the CrossCountry assets through CCE will not exceed \$700 million. Southern Union will undertake an equity issuance to raise all or part of the capital needed to fund its portion of the investment. The remainder of the purchase price will be funded through a combination of (1) investment by GE Energy Finance; (2) the assumption of existing CrossCountry debt totaling approximately \$461

million; and (3) a debt issuance by CCE. For Southern Union, both the existing debt that will be assumed through the transaction and the new debt to be issued by CCE will be non-recourse debt, which means that the debt is not in anyway guaranteed by Southern Union.

9. The acquisition of the CrossCountry interstate pipeline assets through the joint venture with GE Energy Finance will further the Company's long-term strategic plan to own regulated natural gas assets that will provide stable and predictable cash flows and provide the opportunity to achieve operating synergies that will benefit other divisions of the Company.

**WHEREFORE**, the Company respectfully requests that, after notice and hearing, the Department:

**VOTE:** That approval and authorization pursuant to G.L. c. 164, § 17A to invest up to \$700 million in CCE Holdings, LLC, a joint venture between Southern Union Company and GE Commercial Finance Energy Financial Services, is in the public interest as required by G.L. c. 164, § 17A

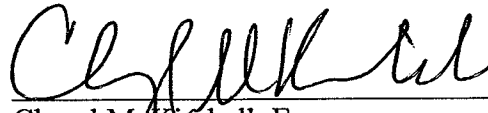
**ORDER:** That the Department approves and authorizes the investment of up to \$700 million by Southern Union Company in CCE Holdings, LLC, in conformity with all the provisions of law relating thereto.

**ORDER:** Such other and further orders and approvals as may be necessary or appropriate.

Respectfully submitted,

**SOUTHERN UNION COMPANY**

By its attorneys,

A handwritten signature in black ink, appearing to read "Cheryl M. Kimball", written over a horizontal line.

Cheryl M. Kimball, Esq.

Erika J. Wafner, Esq.

Keegan, Werlin & Pabian, LLP

265 Franklin Street

Boston, MA 02110

(617) 951-1400

Dated: August 4, 2004